

**STATE OF MICHIGAN**  
**COURT OF APPEALS**

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KATHLEEN McNEEL, individually, and  
WAKELIN McNEEL, as Trustee of the Kathleen  
McNeel Revocable Living Trust,

Plaintiffs-Appellees/Cross-  
Appellant,

v

FARM BUREAU GENERAL INSURANCE  
COMPANY OF MICHIGAN,

Defendant-Appellant/Cross-  
Appellee.

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June 29, 2010  
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No. 285008  
Mecosta Circuit Court  
LC No. 04-16507-CK

Advance Sheets Version

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Before: M. J. KELLY, P.J., and K. F. KELLY and SHAPIRO, JJ.

SHAPIRO, J.

This insurance-coverage dispute stems from a fire on March 18, 2003, that completely destroyed a farmhouse owned by the Kathleen McNeel Revocable Living Trust (the Trust). Defendant appeals as of right the trial court's order granting plaintiffs the \$69,500 jury award, interest of \$37,259.78 pursuant to MCL 500.2006, and case-evaluation sanctions of \$19,818.34, and plaintiffs cross-appeal. We affirm the part of the judgment based on the jury's verdict, but reverse the part of the judgment regarding attorney fees and remand for entry of an order consistent with this opinion.

**I. BACKGROUND AND PROCEEDINGS**

The property at issue, located at 10981 W. River Road, Remus, Michigan (the Bundy farmhouse), was purchased by Kathleen McNeel in the 1970s and transferred to the Trust in 1993. Defendant issued an insurance policy to Kathleen McNeel, with the Trust as an additional insured, covering three dwellings and their contents, including the Bundy farmhouse, which policy was in effect when the Bundy farmhouse was destroyed by arson<sup>1</sup> on March 18, 2003.

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<sup>1</sup> The cause of the fire was "undetermined" because it could have been accidental or suspicious. It was thought to have been set by a serial arsonist in the area.

Defendant investigated the loss and determined that the loss was not covered under the policy because “nobody had lived in the house as a domicile since November 2001.” Under the “Increase in Hazard” provision, the policy provided that defendant was not liable for losses occurring “[w]hile a described building, whether intended for occupancy by owner or tenant, is vacant beyond a period of sixty consecutive days or is unoccupied beyond a period of six consecutive months.”

In April 2003, plaintiffs hired Stewart Shipper, a public adjuster, to help them with their claim. In an April 17, 2003, letter, Kathy Macdonald, defendant’s adjuster, stated that she had spoken with members of the McNeel family and they had indicated that no one had resided in the dwelling for approximately 18 months and that there was no furniture in the dwelling. The letter concluded, “[d]ue to the above we are denying coverage for this claim.” Shipper responded with a May 12, 2003, letter stating that members of the family disputed Macdonald’s statements regarding residency, and he included a list of personal property that was in the home at the time of the fire. He concluded by stating that “your denial of the claim is wrongful” and asking her to “reconsider your denial and contact me for discussion of an adjustment and payment by Farm Bureau Insurance.” In a separate letter of the same date, Shipper also sent in calculations of actual cash value. On May 13, 2003, Shipper submitted a “Sworn Statement in Proof of Loss” signed by Wakelin McNeel, trustee of the Kathleen McNeel Revocable Living Trust.

In a letter dated May 22, 2003, Macdonald stated: “In response to your letter of May 12, 2003 we are continuing our investigation into this matter. As soon as we have completed this investigation we will be in contact with you to discuss your client’s claim further.” On the same date, Macdonald sent another letter, noting that the sworn proof of loss was incomplete and that the insured had to remedy this error within 15 days. The letter stated in bold print, “**This is not a denial of your claim but rather a rejection of the Proof of Loss which was incorrectly completed.**” Shipper timely resubmitted the information.

On June 16, 2003, Shipper wrote to Macdonald stating:

I am following up on the telephone messages that I left you on June 9th, June 13th and most recently, this morning. In your correspondence of May 12, 2003, you indicated that you are continuing your investigation into this matter. Please advise when you will be ready to speak with us to adjust the claim.

On June 26, 2003, Macdonald wrote to Shipper and stated, “After careful review of this matter along with additional investigation, we feel that we are justified in our denial of the above claim.” The letter stated that it was “Farm Bureau’s position” that the dwelling had been unoccupied for 18 months, as substantiated by relatives of the insured and a neighbor.

The following day, June 27, 2003, Shipper wrote to Jason Babka, Macdonald’s claims supervisor. The letter confirmed that Shipper had “contact[ed Babka] to try to correct a wrongful denial of the Insured’s claim” and that Shipper had “agreed to provide certain information which reflects on the meaning of vacancy and unoccupancy.” The letter enclosed excerpts from two insurance texts and concluded, “Please review and advise.”

On June 30, 2003, Babka wrote back to Shipper. The letter quoted from the definitions of unoccupied in a third source, Fire, Casualty and Surety Bulletins (FC&S), and concluded,

“Based on the definitions provided, our investigation, and the policy language under the increase in hazard, we must again respectfully deny the claim for fire damage to 10981 W. River Rd in Remus, Michigan of March 18, 2003.”

On July 21, 2003, Shipper faxed a letter to Babka requesting page citations for the cited text and stating that “[y]ou have denied the Insured’s claim based on an FC&S reference.” On the same date, Babka sent a response stating that the claim was not denied on the basis of an FC&S definition and that “[t]he claim was denied based on the facts of the loss and our investigation, as well as the applicable policy language.”

On September 24, 2003, Shipper wrote another letter to Babka, which stated:

I have reviewed Farm Bureau’s claim denial with the Insured. I am writing to ask for an appointment with you to discuss Farm Bureau’s refusal to respond to the claim. The attorneys that I have spoken to state that the controlling issue will likely be a determination as to whether the house was abandoned. You may or may not decide to continue to deny the claim, but you should understand the reasons the Insured believes that the house was occupied. We can meet at your office or another agreeable location. I would like to arrange the meeting as soon as possible because, in the face of your denial, I must soon recommend an attorney for the future handling of this matter.

The record does not contain a response, but on October 10, 2003, Shipper and Babka did meet. According to an affidavit signed by Shipper, at the meeting Babka

requested that I obtain and send him utility bills for the subject property (which would indicate that the power had been on, contrary to what one would expect in a vacant/abandoned property) and evidence of payment of property tax bills (which again would illustrate that the property was not vacant/abandoned). . . . Mr. Babka indicated he would consider the claim in light of the requested documents, once submitted, and would only make a decision as to whether or not the claim would be denied after he had done so. [Underlining in original; paragraph structure altered.]

Defendant filed a responsive affidavit signed by Babka. It stated, “Farm Bureau never contradicted its initial denial of Plaintiff’s [sic] claim, that Farm Bureau’s position never changed from the initial denial and that I never conveyed to Mr. Shipper otherwise.”

Following up from the meeting, Shipper sent a letter and facsimile on October 14, 2003, attaching utility bills and property tax receipts that he asserted, along with the contractor’s remodeling estimates, “are indicative of an intent to continue to operate and occupy the property.” Babka responded with a letter of the same date stating:

I have carefully reviewed the additional documents you have submitted regarding this claim. Our findings still indicate that the house was both vacant and unoccupied, as we have previously outlined in our correspondence of June 30, 2003 and June 26, 2003. Based on this, we must respectfully continue to deny your client’s claim.

Plaintiffs filed their complaint against defendant in the Mecosta Circuit Court<sup>2</sup> on October 5, 2004. In April 2005, defendant moved for summary disposition for failure to file within one year of the date the claim was formally denied. MCL 500.2833(1)(q).<sup>3</sup> Plaintiffs opposed the motion. At a hearing on June 17, 2005, the trial court denied the motion, noting that there was a factual dispute about when the formal denial occurred and specifically referring to Shipper's and Babka's affidavits.

At trial, defendant abandoned the issue of when the formal denial occurred; defendant presented no evidence on the issue and did not request that the jury make a determination. The jury returned a verdict for plaintiffs, concluding that the farmhouse had not been vacant at least 60 consecutive days before the loss and that it "was occupied at least six consecutive months prior to the loss date . . . ." It awarded \$3,000 for furnishings, \$7,000 for other personal property, and \$15,000 for lost rents. The trial court issued a judgment on the verdict for \$69,500, reflecting the \$50,000 policy limit on the building, the \$10,000 policy limit on lost rents, \$3,000 for landlord furnishings, the \$2,500 policy limits for other personal property, and \$4,000 for the stipulated debris removal.

Plaintiffs moved for case-evaluation sanctions, interest, and costs. With regard to the interest claim, defendant acknowledged this Court's decision in *Griswold Props, LLC v Lexington Ins Co*, 276 Mich App 551, 554; 741 NW2d 549 (2007), but objected to the interest claim on the basis of the prior caselaw in *Arco Indus Corp v American Motorists Ins Co (On Second Remand, On Rehearing)*, 233 Mich App 143; 594 NW2d 74 (1998). The trial court concluded that defendant's denial was reasonable, but also concluded that *Griswold* applied retroactively and awarded 12 percent interest on the \$54,500 of the award. On the attorney-fee issue, the trial court ultimately issued an opinion that granted plaintiffs 43 hours at \$150 an hour in attorney fees. It assessed 12 percent interest on the \$54,500 retroactively beginning on July

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<sup>2</sup> Although the Bundy farmhouse is actually in Isabella County, halfway through the first day of trial, defendant stipulated that venue was proper in Mecosta County.

<sup>3</sup> MCL 500.2833(1)(q) provides:

(1) Each fire insurance policy issued or delivered in this state shall contain the following provisions:

\* \* \*

(q) That an action under the policy may be commenced only after compliance with the policy requirements. An action must be commenced within 1 year after the loss or within the time period specified in the policy, whichever is longer. *The time for commencing an action is tolled from the time the insured notifies the insurer of the loss until the insurer formally denies liability.* [Emphasis added.]

13, 2003, with the remainder of the award subject to interest accrued from the date of the complaint. Defendant appealed, and plaintiffs cross-appealed.

## II. SUMMARY DISPOSITION

Defendant first argues that the trial court erred by denying its motion for summary disposition because plaintiffs' suit was untimely even with the extension under MCL 500.2833(1)(q). Plaintiffs contend that defendant has waived its right to claim that the complaint was untimely by failing to raise the issue at trial, but that even if the issue was preserved, there was evidence of a genuine issue of material fact regarding when defendant "formally denie[d]" plaintiffs' claim, making the trial court's denial of summary disposition appropriate.

We review de novo motions for summary disposition, taking the facts in the light most favorable to the nonmoving party. *Dressel v Ameribank*, 468 Mich 557, 561; 664 NW2d 151 (2003). We review the record and the documentary evidence, but do not make findings of fact or weigh credibility. *Taylor v Lenawee Co Bd of Co Rd Comm'rs*, 216 Mich App 435, 437; 549 NW2d 80 (1996).

We agree with plaintiffs that defendant waived its affirmative statute-of-limitations defense at trial. Defendant did not seek a jury finding regarding when the formal denial occurred and failed to present any evidence at trial that the denial occurred anytime other than October 14, 2003. The defense made a tactical decision not to argue this issue to the jury and focused solely on whether the policy provided coverage. However, this waiver did not waive defendant's right to appeal the trial court's denial of summary disposition. Although defendant waived any complaint of error on this issue at trial, defendant may still argue on appeal that the trial should never have occurred because the trial court improperly denied summary disposition on the issue. Thus, the issue is whether the trial court was correct that there was an outstanding question of fact material to the determination of when the formal denial that stopped the tolling under MCL 500.2833(1)(q) occurred.

Given the language of the letters, we agree with plaintiffs that the April 2003 denial was withdrawn by the May 22, 2003, letters stating that "[t]his is not a denial of your claim" and that "we are continuing our investigation into this matter." (Bold print omitted.) However, we conclude that a second formal denial did occur later. On June 26, 2003, Macdonald wrote to Shipper and stated that "we feel that we are justified in our denial of the above claim." In his letter to Babka, Shipper acknowledged the denial by stating that he was attempting to "correct a wrongful denial . . . ." The subsequent correspondence back and forth between the parties continued to mention a denial: "we must again respectfully deny the claim"; "[y]ou have denied the Insured's claim"; "[t]he claim was denied"; "I have reviewed Farm Bureau's claim denial with the Insured"; and "[y]ou may or may not decide to continue to deny the claim . . . ."

However, we do not believe that the trial court erred by determining that there was a question of fact given Shipper's affidavit stating that he wrote Babka on September 24, 2003, requesting a meeting and that the two of them met on October 10, 2003. According to Shipper's affidavit, "Babka indicated he would consider the claim in light of the requested documents, once submitted, *and would only make a decision as to whether or not the claim would be denied after he had done so.*" (Emphasis added; underlining in original.)

The trial court properly concluded that this evidence created a question of material fact about when the formal denial occurred. Although it is reasonable to construe Babka's letter on October 14, 2003, and his affidavit responding to the Shipper affidavit as evidence of an unbroken denial since June 2003, Shipper's affidavit presents evidence that creates a different inference—that defendant again withdrew its formal denial while it reinvestigated the claim. This inference is even more reasonable considering defendant's prior course of conduct, having once before withdrawn a denial of the claim. Taking this evidence in the light most favorable to plaintiffs, *Dressel*, 468 Mich at 561, Shipper's affidavit and defendant's previous withdrawal of its formal denial provided sufficient evidence to create a question of fact regarding whether Babka's alleged comments at the meeting with Shipper constituted another withdrawal of the denial, with a subsequent denial on October 14, 2003. The trial court properly left it up to a jury to determine whether Babka made the comments attributed to him in Shipper's affidavit and whether those comments constituted a withdrawal of defendant's previous formal denial followed by a new formal denial. Accordingly, we conclude that the trial court properly denied defendant's motion for summary disposition. This question was properly held for a jury determination, and defendant elected to waive that determination.<sup>4</sup> We find no error.

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<sup>4</sup> Despite the defense's decision not to submit the issue to the jury, defendant's witnesses and counsel made several statements at trial that seem inconsistent with its claim that the June denial remained in effect. Although these statements are not relevant to our review of the summary disposition ruling because they occurred after that ruling, defendant does appear to have been trying to have it both ways. On the one hand, when it moved for summary disposition, it argued to the court that it was beyond question that the claim had been formally denied before October. On the other hand, defendant sought to gain a tactical advantage at trial by repeatedly telling the jurors, in an apparent appeal to their sense of fair play, that the company had gone so far as to keep the claim open through October.

Defense counsel argued in his opening statement that Babka "kept this claim open . . . for review for a period of April, 2003, to October of 2003" and later reiterated that Babka "kept it open for six months" because he "wanted to be fair." During trial, Macdonald testified that it was her understanding that the claim was kept open until October of 2003. Babka testified that the reserve on the claim was not closed until October 29, 2003, and that when that was done, the denial was a done deal and he was not going back on the denial. Finally, in defendant's closing argument, counsel stated that Babka spent five months, i.e. through October, going over things with Shipper and that after that time "those two agreed to disagree."

We do not conclude that these statements constituted judicial admissions. See *Ortega v Lenderink*, 382 Mich 218, 222-223; 169 NW2d 470 (1969). However, we do question whether the defense would have taken this position at trial if the jury had in fact been permitted to decide the date of formal denial.

### III. OCCUPANCY

Defendant next argues that the trial court's jury instruction regarding occupancy was erroneous and that the following instruction should have been given: "One must consistently or habitually live there as a customary and usual dwelling place or place of abode or place of habitation. Mere supervision and periodic checking or overnight visitations or storage or furniture is not enough to satisfy an occupancy." However, this definition was never presented to the trial court. Indeed, the definitions requested by defendant were entirely different. Defendant's trial brief defined "unoccupied" as "**ROUTINELY DEVOID OF HUMAN PRESENCE.**" (Bold print in original.) Defendant's proposed jury instructions stated, "[u]noccupied: means not routinely characterized by the presence of human beings, or nobody is living there." Obviously, there was no error in the trial court's failure to give an instruction that was never requested. Nevertheless, defendant expressed a general objection to the instruction. The question becomes what standard of review applies to this issue.

MCR 2.516(C) provides, "A party may assign as error the giving of or the failure to give an instruction only if the party objects on the record before the jury retires to consider the verdict . . . , stating specifically the matter to which the party objects and the grounds for the objection." Here, the entire objection was "we're going to go with the one jury instruction with respect to occupancy. However, both of us have some misgivings about it and each of us wants to preserve our right to, I guess, contest it after the fact depending on who wins." Because the rule requires the objecting party to specifically state the grounds for the objection on the record, and the record in this case lacks any statement of grounds for the objection, this issue is unpreserved. Accordingly, our review is for plain error affecting defendant's substantial rights. *Hilgendorf v St John Hosp & Med Ctr Corp*, 245 Mich App 670, 700; 630 NW2d 356 (2001).

The trial court instructed the jury:

In determining whether the [Bundy] farmhouse was vacant or unoccupied before the fire loss as alleged in this case, you are instructed to use the following definitions:

Vacant means the residence was completely empty and was—and has insignificant furnishings or property to support its intended purpose as a rental property.

Unoccupied. Unoccupied means operations or other activities in the building are suspended but contents remain in the building and [sic] is not being lived in for a period of six consecutive months.

Defendant argues on appeal that the definition of "unoccupied" is improper. Because "unoccupied" is a term used in the insurance policy, the question is one of contract interpretation.

"[I]n reviewing an insurance policy dispute we must look to the language of the insurance policy and interpret the terms therein in accordance with Michigan's well-established principles of contract construction." *Henderson v State Farm Fire & Cas Co*, 460 Mich 348, 353-354; 596 NW2d 190 (1999).

First, an insurance contract must be enforced in accordance with its terms. A court must not hold an insurance company liable for a risk that it did not assume. Second, a court should not create ambiguity in an insurance policy where the terms of the contract are clear and precise. Thus, the terms of a contract must be enforced as written where there is no ambiguity.

While we construe the contract in favor of the insured if an ambiguity is found, this does not mean that the plain meaning of a word or phrase should be perverted, or that a word or phrase, the meaning of which is specific and well recognized, should be given some alien construction merely for the purpose of benefiting an insured. The fact that a policy does not define a relevant term does not render the policy ambiguous. Rather, reviewing courts must interpret the terms of the contract in accordance with their commonly used meanings. Indeed, we do not ascribe ambiguity to words simply because dictionary publishers are obliged to define words differently to avoid possible plagiarism. [*Id.* at 354 (citations omitted).]

The contract provision at issue provides that there is no coverage “[w]hile a described building, whether intended for occupancy by owner or tenant, is vacant beyond a period of sixty consecutive days or is unoccupied beyond a period of six consecutive months.” The parties agree that “unoccupied” is not defined in the policy. When terms are undefined, it is appropriate for this Court to consult a dictionary for the common definition. *Halloran v Bhan*, 470 Mich 572, 578; 683 NW2d 129 (2004).<sup>5</sup> “Vacant” is defined as “[h]olding nothing: empty.” *Webster’s New Basic Dictionary* (2007). “Unoccupied” is similarly defined as “[n]ot occupied: empty.” *Id.* The most applicable definition of “occupy” would appear to be “[t]o live in.” *Id.* Putting those definitions together, “unoccupied” means not lived in.

Using these definitions, we conclude that the trial court’s jury instruction was proper. The trial court said that “unoccupied” meant that the building had contents but “is not being lived in . . . .” It gave the appropriate duration from the contract provision of “six consecutive months.” Thus, the instruction informed the jury that it had to determine whether the Bundy farmhouse had not been lived in for more than six consecutive months. We find no plain error. *Hilgendorf*, 245 Mich App at 700.

Defendant argues that this Court’s opinion in *Vushaj v Farm Bureau Gen Ins Co of Mich*, 284 Mich App 513; 773 NW2d 758 (2009), is controlling on this issue. We disagree. First, defendant’s contention that *Vushaj* “should have been incorporated into a proper jury instruction” defies logic because it ignores the fact that *Vushaj* was not decided until after this appeal had already begun. More important, the policy language at issue in *Vushaj* is markedly different and distinguishable. The *Vushaj* policy precluded coverage if the house was “vacant or

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<sup>5</sup> Although *Halloran* relates to statutory interpretation, the rules are the same for contract interpretation. See *Citizens Ins Co v Pro-Seal Service Group, Inc*, 477 Mich 75, 82-85; 730 NW2d 682 (2007).



unoccupied beyond a period of 30 consecutive days.” *Id.* at 519. The present policy exempted coverage when the house “is vacant beyond a period of sixty consecutive days or is unoccupied beyond a period of six consecutive months.” Thus, the present policy clearly separates the terms “vacant” and “unoccupied” into different clauses with distinct time requirements. Such a structure leads to the conclusion that the two terms have different meanings.

[M]ost authorities have distinguished the terms “vacant” and “unoccupied.” The term “vacant” has been construed to mean empty, deprived of contents, and without inanimate objects. It implies entire abandonment, and non-occupancy for any purpose. On the other hand “unoccupied” has been held to mean without animate objects, and implies that no actual use is being made of the premises by anyone corporeally present or in possession. [45 CJS, Insurance, § 1002, p 467.]

See also Garner, *A Dictionary of Modern Legal Usage* (2d ed) (“[V]acant; unoccupied. These words are often used in the context of insurance policies on buildings. They are not synonymous: *vacant* means without inanimate objects, while *unoccupied* means without human occupants.”). The necessity that “vacant” and “unoccupied” have different meanings within the instant policy is enhanced by the fact that each term has its own time limit: vacant for 60 days; unoccupied for six consecutive months. *Vushaj* simply had a single period that applied to either term.

Furthermore, it is the definition of “unoccupied,” not “occupied,” that is at issue. This difference is more than academic. Defendant asserts that “[t]he plain meaning of the contract requires that someone be living in the house as a legal abode for six months before the loss.” Whether intentionally wrong or simply inartfully worded, this is a misinterpretation of the policy language. There is no requirement that the farmhouse be lived in “for six months before the loss.” Rather, the house must be *unoccupied* “beyond” (that is, for more than) six consecutive months before a loss for the exclusion to take effect. The house could have been unoccupied for six months, but as long as it became occupied on the next day, the exclusion would never be operative because the house was not unoccupied *for more than* six months. As the policy is currently phrased, even a single day of occupancy will restart the counter on the six consecutive months. This requirement further distinguishes *Vushaj*, because application of *Vushaj*’s definition of “unoccupied” (“not routinely characterized by the presence of human beings”) *Vushaj*, 284 Mich App at 516, quoting Black’s Law Dictionary (8th ed), would impermissibly render nugatory the instant policy’s requirement that there be a “consecutive” period of no occupancy. See *Klapp v United Ins Group Agency, Inc*, 468 Mich 459, 468; 663 NW2d 447 (2003) (“[C]ourts must also give effect to every word, phrase, and clause in a contract and avoid an interpretation that would render any part of the contract surplusage or nugatory.”). Because of the clear differences between the instant policy and the policy that was interpreted in *Vushaj*, we find *Vushaj* inapplicable.

Finally, defendant contends that there was insufficient evidence to create a jury question about occupancy. However, defendant’s argument presupposes that the definition given by the trial court was erroneous. Defendant has not argued on appeal that there was insufficient evidence under the definition stated in the jury instructions. Accordingly, our determination that there was no error in the definition given by the trial court has disposed of this issue.

#### IV. RETROACTIVITY OF *GRISWOLD*

Defendant's final claim on appeal is that the trial court erred by concluding that this Court's decision in *Griswold*, 276 Mich App 551, applied retroactively. In *Griswold*, this Court held that "a first-party insured is entitled to 12 percent penalty interest if a claim is not timely paid, irrespective of whether the claim is reasonably in dispute." *Id.* at 554. Defendant argues that this rule should be applied prospectively only because it overruled clear and settled caselaw.

Whether a ruling applies retroactively is a question of law that this Court reviews de novo. *People v Maxson*, 482 Mich 385, 387; 759 NW2d 817 (2008). "[T]he general rule is that judicial decisions are to be given complete retroactive effect. We have often limited the application of decisions which have overruled prior law or reconstrued statutes. Complete prospective application has generally been limited to decisions which overrule clear and uncontradicted case law." *Hyde v Univ of Mich Bd of Regents*, 426 Mich 223, 240; 393 NW2d 847 (1986) (citations omitted).

Rules determined in opinions that apply retroactively apply to all cases "still open on direct review and as to all events, regardless of whether such events predate or postdate our announcement of the rule[s]." *Harper v Virginia Dep't of Taxation*, 509 US 86, 97; 113 S Ct 2510; 125 L Ed 2d 74 (1993). Rules determined in opinions that apply prospectively only, on the other hand, not only do not apply to cases still open on direct review, but do not even apply to the parties in the cases in which the rules are declared. See *Pohutski v City of Allen Park*, 465 Mich 675, 699; 641 NW2d 219 (2002). With this understanding, it is clear that this Court has already concluded that *Griswold* did not apply prospectively only because it applied its holding to the three cases consolidated in *Griswold* and ruled that the plaintiffs in all three cases were entitled to penalty interest, irrespective of whether the claims were reasonably in dispute. *Griswold*, 276 Mich App at 566-567. However, because there are no published opinions specifically holding that *Griswold* is fully retroactive,<sup>6</sup> we have considered defendant's claims. Nevertheless, we conclude that *Griswold* is fully retroactive.<sup>7</sup>

As previously noted, "[c]omplete prospective application has generally been limited to decisions which overrule clear and uncontradicted case law." *Hyde*, 426 Mich at 240. Here, there was simply nothing "clear and uncontradicted" about the "reasonable dispute" standard, particularly in light of the binding Michigan Supreme Court precedent in *Yaldo v North Pointe*

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<sup>6</sup> There is an unpublished opinion so holding. *Frans v Harleysville Lake States Ins Co*, unpublished opinion per curiam of the Court of Appeals, issued September 23, 2008 (Docket No. 280173)

<sup>7</sup> We note that, for the purposes of this case, it makes no difference whether *Griswold* has full retroactivity or only limited retroactivity, because full retroactivity makes it applicable to all cases then pending and limited retroactivity applies "in pending cases where the issue had been raised and preserved." *Stein v Southeastern Mich Family Planning Project, Inc*, 432 Mich 198, 201; 438 NW2d 76 (1989). Because the issue was raised and preserved in this case, *Griswold* would apply even under limited retroactivity.

*Ins Co*, 457 Mich 341, 348-349; 578 NW2d 274 (1998), that had explicitly rejected the “reasonable dispute” standard as contrary to the language of the statute.

Moreover, even assuming that *Griswold* represented a new rule, as opposed to a clarification of a previously ambiguous state of the law, the three-factor test set forth in *Paul v Wayne Co Dep’t of Pub Serv*, 271 Mich App 617; 722 NW2d 922 (2006), does not weigh in favor of prospective application.

The threshold question in determining the application of a new decision is whether the decision in fact clearly established a new principle of law. If that question is answered in the affirmative, then a court must weigh three factors in deciding whether a judicial decision warrants prospective application: (1) the purpose to be served by the new rule, (2) the extent of reliance on the old rule, and (3) the effect of retroactive application on the administration of justice. [*Id.* at 621.]

There are multiple purposes served by the new rule. First, it clarified an ambiguous state of the law. Second, it was intended to give meaning to the statutory language, which appears designed to deter, and limit the length of, denials of justified claims. The “timely payment” purpose weighs heavily in favor of retroactive application because prospective application removes the incentive of limiting any further delay of payment with regard to justified claims already in litigation when *Griswold* was decided.

The second factor is the extent of reliance on the old rule. It is true that the insurance industry relied heavily on the *Arco* decision to delay payment in claims that were reasonably in dispute. However, when an insurance company truly has a complete defense, i.e., it is ultimately determined that there is no coverage, the company is relieved from any requirement to pay interest. Additionally, given the ambiguous state of the law, it is unclear how reasonable the reliance on *Arco* was, given that it contradicted the Supreme Court’s precedent in *Yaldo*. Thus, this factor does not seem to weigh heavily in either direction.

The third factor, the effect of retroactive application on the administration of justice, weighs in favor of retroactive application. Given the limited number of cases to which this issue applies, applying the *Griswold* decision retroactively will have little effect on the courts and their caseloads.

Given that (1) the *Griswold* Court retroactively applied its decision to the three consolidated cases before it and at least one subsequent panel of this Court determined it to be retroactive, (2) the law that was overturned can hardly be considered “clear and uncontradicted,” and (3) the factors for prospective-only application weigh in favor of retroactive application, we conclude that the trial court properly ruled that *Griswold* was to be applied retroactively and, therefore, was applicable to this case.

## V. ATTORNEY FEES

Plaintiffs argue in their cross-appeal that the trial court erroneously and arbitrarily reduced their attorney's hours by 46 percent on the basis of a patently erroneous premise that counsel had padded his billing.<sup>8</sup> Although this Court reviews de novo a trial court's decision to grant case-evaluation sanctions, the amount awarded as reasonable attorney fees is reviewed for an abuse of discretion. *Peterson v Fertel*, 283 Mich App 232, 235, 239; 770 NW2d 47 (2009). A trial court abuses its discretion when its decision falls outside the range of reasonable and principled outcomes. *Id.* at 235.

Plaintiffs' counsel originally provided to the trial court a two-page typed time sheet memorializing 115.4 hours that he had spent working on the case after the case evaluation. Defendant objected, indicating that its counsel "spent only 90.2 hours" for the same period and, after objecting to several entries, stated that "[g]iven these reductions, the total amount of attorney time that could reasonably be awarded would be approximately 90 hours." Defendant also requested an evidentiary hearing "and a more exact accounting" of the time indicated on the billing statement.

During the hearing for case-evaluation sanctions, plaintiffs' counsel justified his time, indicating that he had worked on the case for only five hours from the case evaluation until 10 days before the trial, when it became clear that it was going to go to trial. He further indicated that the case filled three bankers boxes because it was document-intensive and argued against defendant's assertion that it was a simple case:

It involved technical contract issues, definition of technical terms, occupancy and vacancy, which are not the same thing as they are out there in the real world. When we talked about an insurance contract earlier in the litigation, it involved interpretation and doing battle over MCL 500.2833 regarding limitation issues. It's a very technical case.

Defendant's counsel argued that he still believed that plaintiffs' counsel was only entitled to \$9,000 (90 hours times a rate of \$100 an hour) and requested an evidentiary hearing. He maintained that it was "a simple case to try, not difficult at all in my mind" and that damages had been agreed to so that the jury only had to decide whether the farmhouse was vacant or unoccupied.

At the evidentiary hearing on attorney fees, plaintiffs' counsel testified regarding his billing records. He testified that he filled out his handwritten record of time spent at the same time that the work was performed. He also justified each of the items about which he was questioned and testified that he had worked the hours listed. The trial court took issue with the

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<sup>8</sup> Plaintiffs have conceded that the reduction of their counsel's hourly rate from \$350 to \$150 was within the court's discretion. Accordingly, the issue on appeal is limited solely to the number of hours to which this rate was applied.

time plaintiffs' counsel indicated for the trial. According to the time records, plaintiffs' counsel billed 46 hours for the trial and trial preparation for July 23 through 26. The trial court used 45 hours as the figure and determined that the time for the trial, including the jury's deliberations, was 17.5 hours. Plaintiffs' counsel indicated that there had been a great deal of trial preparation, but the trial court appeared flippant and told plaintiffs' counsel that the issue whether the house was occupied or unoccupied did not require much time because the trial court "figured that out in about five minutes." Plaintiffs' counsel then argued that it was clear that defendant's counsel had spent approximately as much time on the case as he had. The trial court rejected this argument because plaintiffs' counsel's records were not detailed enough.

The trial court issued its opinion and order, which held, in relevant part:

Plaintiff's [sic] attorney submitted a hand written record of purported hours spent in preparation and actual time spent at trial. The most objective criteria that the Court has to determine the accuracy of the purported hours is the actual time that the Court observed the Plaintiff's [sic] attorney at trial. Plaintiff's [sic] attorney recorded thirty-six (36) hours that he claims to have been in trial, the Court's records indicate that the actual trial time was nineteen and one-half (19 ½) hours, an overstatement of sixteen and one-half (16 ½) hours or forty-six [percent] (46%).

Using the Plaintiff's [sic] attorney records – claiming that trial preparation totaled forty-three and one-half (43 ½) hours – and using the above forty-six percent (46%) overage, the Court determined the preparation hours to be twenty-three and one-half (23 ½) hours, which reduces the hours of preparation by twenty (20) hours. Hence the total hours that can be charged for attorney fees is forty-three (43) hours (19 ½ trial hours plus 23 ½ hours of preparation)[.]

Plaintiffs argue that the basis for the reduction was erroneous and unreasonable.

In determining a reasonable attorney fee, there is no set formula, but multiple factors to consider. *In re Temple Marital Trust*, 278 Mich App 122, 138; 748 NW2d 265 (2008). These factors include:

(1) the skill, time and labor involved; (2) the likelihood, if apparent to the client, that the acceptance of the employment will preclude other employment by the lawyer; (3) the fee customarily charged in that locality for similar services; (4) the amount in question and the results achieved; (5) the expense incurred; (6) the time limitation imposed by the client or the circumstances; (7) the nature and length of the professional relationship with the client; (8) the professional standing and experience of the attorney; and (9) whether the fee is fixed or contingent. [*Id.* (citations omitted).]

Here, although the trial court discussed some other factors at the hearing, in its opinion, the trial court relied on a single factor—how much time it believed plaintiffs' counsel had actually spent on the case. However, given the testimony at the hearing and the information on plaintiffs' counsel's time sheet, the trial court's calculation was erroneous. The time sheet indicated, and plaintiffs' counsel testified at the hearing, consistently with the time sheet, that he did more than

the trial on the days listed for the trial—he also did preparation for the next day of trial. Accordingly, the trial court’s determination of a 46 percent overbilling was inconsistent with the record, making its reduction based on this calculation erroneous.

Further, the contention of defendant and the trial court that the sole matter in dispute was the definitions of “occupancy” and “vacancy” was erroneous because it ignored several outstanding issues that could have come up at trial, for which plaintiffs’ counsel needed to be prepared. There was an outstanding factual question about when defendant could be deemed to have formally denied the claim in order to trigger the statutory one-year deadline. That defendant ultimately failed to address this issue at trial is irrelevant. Plaintiffs still had to prepare to fight this issue and present evidence and testimony relevant to it because they had no way to know before the trial that defendant was not going to address it.

The same is true with regard to the stipulations to which defendant refers. These stipulations were made *during* trial. For example, it was not until the end of the second day of trial that defendant stipulated “a \$4,000 debris removal amount” and a \$50,000 cash value for the dwelling. Even if the stipulations had been made the morning of trial, it would not have changed the fact that plaintiffs’ counsel had to be prepared to present evidence on those issues. Moreover, even with these stipulations, there were still outstanding issues regarding the amount of lost rents, the value of landlord furnishings, and the value of the owner’s other personal property that were left to the jury to decide. Additionally, with plaintiffs presenting their case first, they had to put all their evidence regarding the formal denial and the subsequently stipulated values into evidence and assume that defendant was going to counter it during its presentation of the evidence. Again, just because defendant ultimately decided not to address those issues or agreed to stipulate certain amounts did not make the time plaintiffs’ counsel was required to prepare for those disputed issues, including the presentation of witnesses and documents at trial, unreasonable or unnecessary.

Both defendant and the trial court made much of the fact that plaintiffs’ counsel had not itemized his time in six-minute increments or used time slips, but instead kept a running handwritten record indicating clumps of time spent. Plaintiffs’ counsel testified that he filled out his handwritten record contemporaneously with when the work was completed and that it was not more detailed because he had a contingent-fee arrangement with his clients. We conclude that under Michigan law, the billing records submitted by plaintiffs’ counsel were sufficient. Indeed, this Court has held that descriptions such as “trial prep” and “trial” in billing records are self-explanatory:

[I]n order for the trial court to arrive at a reasonable attorney fee award, it must determine what services were actually rendered. Although a detailed bill of costs is not required, some documentation is needed to enable the trial court to determine the proper amount to award. . . .

Although plaintiff’s counsel did not list exactly what she was doing with regard to her “trial” and “trial prep” submissions, . . . lawyers generally know what other lawyers do during “trial” and “trial prep”—review the pleadings, review discovery responses, read depositions, prepare experts, prepare lay witnesses, prepare for cross-examinations, prepare opening and closing arguments, prepare exhibits, attend the trial, and so forth. The list is quite

extensive but well known, i.e., there are no surprises.... It would be unreasonable to force lawyers, who do not even know if they will be entitled to case evaluation sanctions at the time they are preparing for and attending the trial, to record exactly what they were doing at every “billable” moment. And, it is unnecessary. The trial court can certainly consider the type of case, the length of the trial, the difficulty of the case, the numbers and types of witnesses, as well as other relevant factors, and determine what services were necessitated by the rejection of the case evaluation. We refuse to require an exhaustive and detailed list of the precise service provided at every moment. [*Young v Nandi*, 276 Mich App 67, 88-89; 740 NW2d 508 (2007), vacated in part on other grounds 482 Mich 1007 (2008) (citation omitted).]

In sum, plaintiffs’ counsel’s billing records were legally sufficient, his testimony supported his claims of time spent, and no contrary evidence was presented. Although the trial court took issue with his time claimed for the trial, plaintiffs’ counsel stated that the listed time was not *solely* time spent in trial, but included preparation for the next day’s presentation. There is simply nothing in the record to support the trial court’s application of a 46 percent reduction in hours billed to come up with a “reasonable” fee. The trial court gave only mild consideration to the complexity of the case, and even when it did so, it disregarded the fact that plaintiffs had to be prepared to argue all the issues, even if defendant ultimately waived or stipulated with regard to them. Accordingly, the trial court abused its discretion in its determination of a reasonable attorney fee.

We therefore reverse the trial court’s assessment of attorney fees and remand the issue back to the trial court. On remand, the trial court should examine the appropriate factors listed earlier in this opinion in view of the evidence obtained at the previous hearing. However, given the repeated representations of defendant’s counsel that 90 hours was reasonable (indeed, he spent that many hours working on the case after the case evaluation), we hold that the minimum to which plaintiffs are entitled is \$13,500 (the trial court’s rate of \$150 an hour times 90 hours).

Affirmed in part, reversed in part, and remanded for additional proceedings consistent with this opinion. Plaintiffs are entitled to costs under MCR 7.219. We do not retain jurisdiction.

/s/ Douglas B. Shapiro

/s/ Michael J. Kelly